



County of Los Angeles CHIEF EXECUTIVE OFFICE

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Chief Executive Officer

February 21, 2014

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From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

Executive Summary

This memorandum contains a report on the following:

- **Pursuit of County Position on a State Budget Item**

- The Governor's FY 2014-15 Budget proposes to repay schools an estimated \$6.0 billion in deferred payments and to fully repay all deferred payments owed to local governments, including those owed to counties, no later than FY 2017-18. Approximately \$180.0 million is due to the County for deferred mandate costs incurred prior to FY 2003-04. Therefore, unless otherwise directed by the Board, consistent with existing policy to support legislation to set aside a certain date for the payment of deferred SB 90 reimbursements and the Board's support of Proposition 1A of 2004, **the Sacramento advocates will take a support position on the Governor's proposal to repay the remaining school deferred payments in FY 2014-15 and will request amendments to reimburse local governments, including counties, for deferred State mandate costs in FY 2014-15, or seek the inclusion of statutory language in the FY 2014-15 State Budget Act which would commit the State to reimbursing local governments for pre-FY 2004-05 deferred State mandate costs no later than FY 2015-16.**

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- **Update on Proposed Water Bond Legislation**

- **AB 1674 (Bigelow)** - which declares the intent of the Legislature to enact legislation that would amend the Safe, Clean, and Reliable Drinking Water Supply Act of 2013, was introduced on February 12, 2014.
- **SB 848 (Wolk)** - related to the Safe Drinking Water, Water Quality, and Flood Protection Act of 2014, which if adopted by the voters, would authorize the issuance of \$6.475 billion in State general obligation bonds to finance a safe drinking water, water quality, and flood protection program, passed the Senate Environmental Quality Committee on February 19, 2014.

- **Status of Legislation of County Interest**

- **AB 471 (Atkins)** - related to Infrastructure Financing Districts and redevelopment successor agencies, was signed by the Governor on February 18, 2014.

Pursuit of County Position on a State Budget Item

The Governor's FY 2014-15 Proposed Budget proposes the repayment of an estimated \$6.0 billion in deferred payments to schools, and establishes a plan for a phased approach to fully retire State debt no later than FY 2017-18. The Governor's budget indicates that full repayment of the unfunded State mandate costs for local governments, schools, and community colleges will be completed no later than FY 2017-18; however, the FY 2014-15 Proposed Budget only proposes to eliminate all of the remaining school deferral payments.

On November 2, 2004, California voters overwhelmingly approved **County-supported Proposition 1A**, also known as the *Protection of Local Government Revenues* ballot initiative. Proposition 1A was comprised of several specific, individual provisions with the overall objective of the ballot initiative being to protect locally-collected revenues from being transferred to the State for statewide use. One of the underlying provisions of Proposition 1A and the one most relative to the issue of State mandates and the burden that unfunded mandates have on local governments was the requirement of the State to, on an annual basis and beginning on July 1, 2005, fully fund each of the legislative mandates on local governments or suspend their operation. While the requirement of the State to fully fund legislative mandates or suspend them helped secure budgetary relief and/or reduce operational strains on local governments,

Proposition 1A did not secure reimbursement to local governments for unpaid mandate costs incurred prior to FY 2004-05.

To address the outstanding issue of reimbursements due to local governments, including counties, for unpaid mandate costs incurred prior to FY 2004-05, AB 138 (Chapter 72, Statutes of 2005) statutorily required the State to complete these repayments within 15 years concluding with FY 2020-21. The first year of the 15-year repayment plan was FY 2006-07, and in that year, the State Budget Act appropriated the first two years' (of the 15-year repayment plan) worth of deferred mandate payments to the County in the amount of \$24.3 million. Unfortunately, the FY 2006-07 enacted State Budget also marked the only year in which the State appropriated any funding for the purposes of repaying moneys owed to local governments.

The outstanding amount owed by the State to the County for pre-FY 2004-05 deferred State mandates is approximately \$180.0 million.

This office and the Auditor-Controller support the Governor's proposal to fully repay school deferrals in FY 2014-15 and the Governor's plan to fully reimburse local governments, schools, and community colleges for previously unfunded State mandate costs as soon as possible; however, we will request that the Administration also accelerate reimbursement of mandate payment deferrals to local governments in FY 2014-15 or include statutory language in the FY 2014-15 State Budget Act indicating the State's commitment to reimburse local governments no later than FY 2015-16. Therefore, unless otherwise directed by the Board, consistent with existing policy to support legislation to set aside a certain date for the payment of deferred SB 90 reimbursements and the Board's support of Proposition 1A of 2004, **the Sacramento advocates will take a support position on the Governor's proposal to repay the remaining school deferred payments, and will request amendments to reimburse local governments, including counties, for deferred State mandate costs prior to the end of FY 2014-15 or seek the inclusion of statutory language in the FY 2014-15 State Budget Act that would commit the State to reimburse local governments for pre-FY 2004-05 deferred State mandate costs no later than FY 2015-16.**

There is currently no registered support or opposition on file to the Governor's proposal to repay schools for deferred mandates.

The Governor's FY 2014-15 Proposed Budget will be considered in Budget Committee hearings which will convene in the coming weeks.

Update on Proposed 2014 Water Bond Legislation

As previously reported, the Legislature is developing proposals to amend the \$11.14 billion Water Bond measure that is on the November 4, 2014 State General Election Ballot. This is to provide an update on two of these legislative measures.

SB 848 (Wolk), which as amended on January 9, 2014, would repeal the provisions of the 2014 Water Bond measure and would instead: 1) enact the Safe Drinking Water, Water Quality, and Flood Protection Act of 2014, which if adopted by the voters, would authorize the issuance of \$6.475 billion in State general obligation bonds to finance a safe drinking water, water quality, and flood protection program; and 2) provide for the submission of the bond act to the voters at the November 4, 2014 Statewide General Election, was amended on February 11, 2014.

As amended, SB 848 would provide a total of \$6.825 billion in general obligation bond funding (reducing the current Water Bond by \$4.315 billion) and would also seek voter approval to make currently unappropriated bond funds, which were authorized in 2000 and earlier, eligible for appropriation as grants and direct expenditure for water supply enhancement projects. Specifically, the bill would provide funding for:

- 1) Safe Drinking Water and Water Quality Projects - \$900 million;
- 2) Water Supply Enhancement Projects - \$2.0 billion;
- 3) Sacramento San Joaquin Delta - \$1.2 billion;
- 4) Watershed and Ecosystem Improvements - \$1.7 billion; and
- 5) Water Storage Projects - \$1.025 billion.

The Department of Public Works is reviewing the amended provisions of SB 848 and will report back with an analysis of the bill, as well as several other water bond proposals that are currently pending in various legislative committees.

SB 848 passed Senate Environmental Quality Committee by a vote of 6 to 2 on February 19, 2014. The bill will be heard in the Senate Governance and Finance Committee on February 26, 2014.

AB 1674 (Bigelow), which as introduced on February 12, 2014, would declare the intent of the Legislature to enact legislation that would amend the Safe, Clean, and Reliable Drinking Water Supply Act of 2013 (the current 2014 Water Bond measure). AB 1674 is a spot bill and has no further details on what, if any, changes to the 2014

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Water Bond measure would be proposed. AB 1674 is pending assignment to an Assembly policy committee.

Status of Legislation of County Interest

AB 471 (Atkins), which as amended on January 29, 2014, would allow an Infrastructure Financing District to include portions of former redevelopment project areas and make several changes to the laws governing the dissolution of redevelopment agencies, was signed by the Governor on February 18, 2014. This is an urgency measure and becomes effective immediately.

We will continue to keep you advised.

WTF:RA
MR:IGEA:ma

c: All Department Heads
Legislative Strategist
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Coalition of County Unions
California Contract Cities Association
Independent Cities Association
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City Managers Associations
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